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VIA ELECTRONIC FILING

Marlene Dortch
Secretary
Federal Communications Commission
The Portals
TW-A325
445 12th Street, S.W.
Washington, D.C. 20554

Re: Ex Parte, WC Docket No. 01-338

Dear Ms. Dortch:

On January 12, 2004, Michael Willis and Glenn Reynolds, representing BellSouth, met with Jeff Carlisle, Michelle Carey, Tom Navin, Ian Dillner, Jeremy Miller and Rob Tanner. They discussed issues surrounding the coordination of converting special access circuits to unbundled network elements with state decisions on unbundling high-capacity transport and loops. In addition, Herschel Abbott, Michael Willis and I, representing BellSouth, met with Commissioner Martin and Dan Gonzales on January 12, 2004, and discussed the same issues. The attached materials were used in both meetings.

Very truly yours,


Jonathan Banks

JB:kjw
Attachment

Coordination of Triennial Review Provisions on UNEs and Special Access



January 12, 2004

>> Efficient Implementation of the TRO Requires Coordination of Special Access Conversions and State UNE Decisions

- Anticipate nine month period for orderly transition to new rules would allow for some coordination with state decisions and efficient implementation. TRO §§ 701-703
- Large volumes of conversion orders are likely well before that period as interconnection agreements are updated faster than anticipated.
- This will result in stranded capital investment and inefficient operational processes.
- Similarly, implementation of ordering of new high-cap EELs should be coordinated with state UNE decisions.

>> **Current Status Of Negotiations**

- 97% of the CLEC interconnection agreements have a 90-day interval for negotiating modifications to the agreement due to a change in law.
- Consistent with the change of law provisions of the CLEC Interconnection Agreements, agreements are being updated faster than anticipated.
- There are currently 34 active negotiations.
- Status of executed agreements and amendments incorporating the TRO provisions as of January 8, 2004:

	<i>Sent</i>	<i>Signed</i>	<i>Pending Execution w/in 90 days</i>	<i>Total signed and executed w/in 90 days</i>
<i>Agreements*</i>	29	16	6	22
<i>Amendments*</i>	283	34	7	41
<i>Total</i>	312	50	13	63

>> High Volume of Conversion Orders Likely Well Before State UNE Decisions

- Revised interconnection agreements are effective already.
- CLECs accounting for a substantial portion of BellSouth's Special Access Revenue have expressed intent to convert circuits.
- State UNE loop and transport cases will not be concluded until this summer.
- BellSouth state cases show no impairment in areas where conversion orders are likely to be heavy. For example, in Florida
 - 692 DS1 routes meet the DS3 transport trigger and 648 DS1 routes meet the DS1 trigger
 - 98 customer locations meet the DS3 trigger and 106 locations meet the DS1 trigger
 - These routes are in the Miami area, Orlando, Jacksonville, Tampa and Pensacola
 - See Florida Docket No. 030852-TP, Direct testimony and Exhibits of Shelley W. Padgett filed on December 22, 2003

>> Significant Stranded Capital Investment Is Likely From Lack of Coordination

- Capital investment in hardware and equipment needed to commingle special access and UNE circuits will likely include:
 - DSX panels or frames
 - Cross connections
 - Connecting block terminations
 - Cable rack and repeaters
 - Digital Cross Connect System (DCS)*

* It is likely that a DCS will be required for testing and isolation of each of the circuits. If DCSs are required capital costs will increase drastically. A 3/1 DCS is between \$4M-\$9M and a 1/0 is approximately \$.5M, which does not include installation.

- Capital investment associated with the necessary hardware and equipment on a per circuit basis is estimated to be as follows*:

- \$145.76 for a DS0 2 wire
- \$291.53 for a DS0 4 wire
- \$618.38 for a DS1 and
- \$668.84 for a DS3

* *This estimate is based on similar product cost studies as it relates to the required hardware and equipment.*

- Where relief is granted in the States and circuits are converted back to SPA access, this capital investment will be stranded.

>> **Anticipated High Volume Orders and Stranded Capital**

- Approximate number of eligible circuits and potential impact:

CLECs	Eligible Circuits w/potential Capital Investment	Estimated Capital Investment
CLECs w/TRO agreements	586	\$503,561
High Volume CLECs w/Intent to Commingle	24,583	\$15,265,265
Total	25,169	\$15,768,826

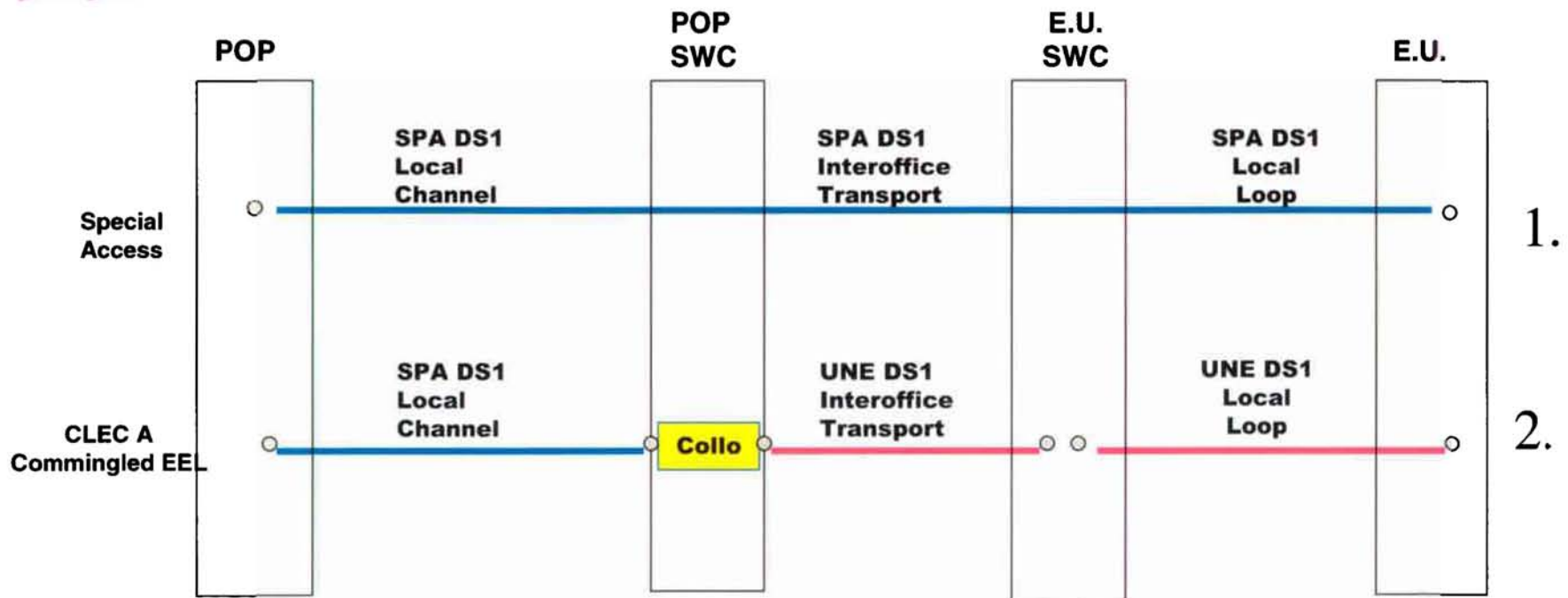
**Based on preliminary analysis, capital investment will be required when there is a special access point-to-point circuit consisting of multiple same capacity facilities .*

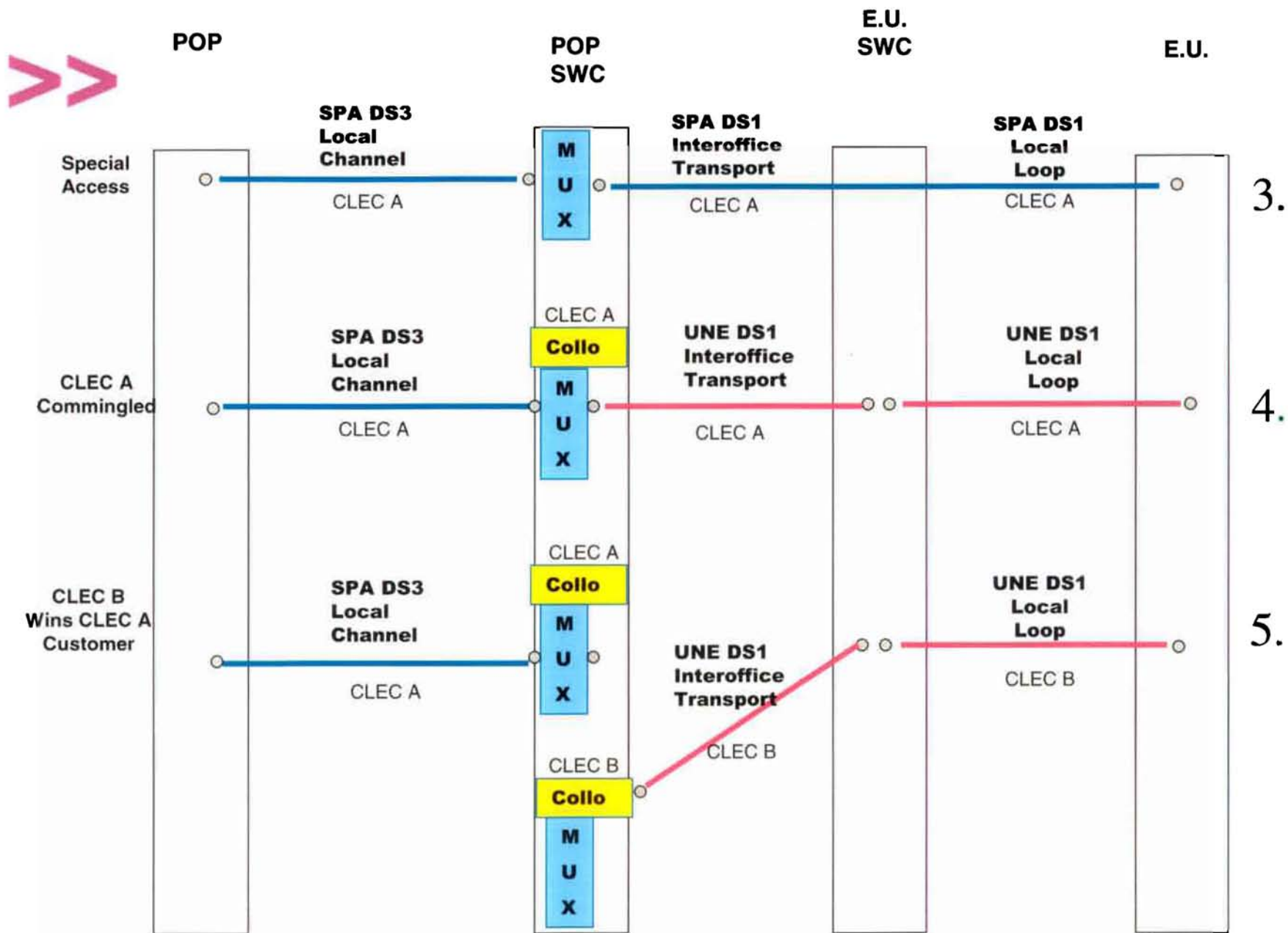
>> Special Access and UNEs

- SPA and UNEs are different classes of services
 - SPA is a premium service that has higher service warranties and guarantees
 - UNEs have separate and distinct performance and parity measures, based on the equivalent Retail service analog
 - BellSouth utilizes different Operating Support Systems for ordering, provisioning and in some cases monitoring
 - Therefore the physical circuit must be distinctly identifiable
- Special access service was designed to be an end-to-end customer solution with distinct physical terminations or end points. The service may be made up of multiple rate elements, but the service itself is one physical path with defined end points
- To ensure BellSouth can meet its obligations under its tariffs, contracts and interconnection agreements, BellSouth must ensure that carriers have access to their services through the ordering and provisioning processes, operational systems, and centers which have been developed pursuant to the Act, and Commission orders, and commercial product development.

>> Special Access and UNEs

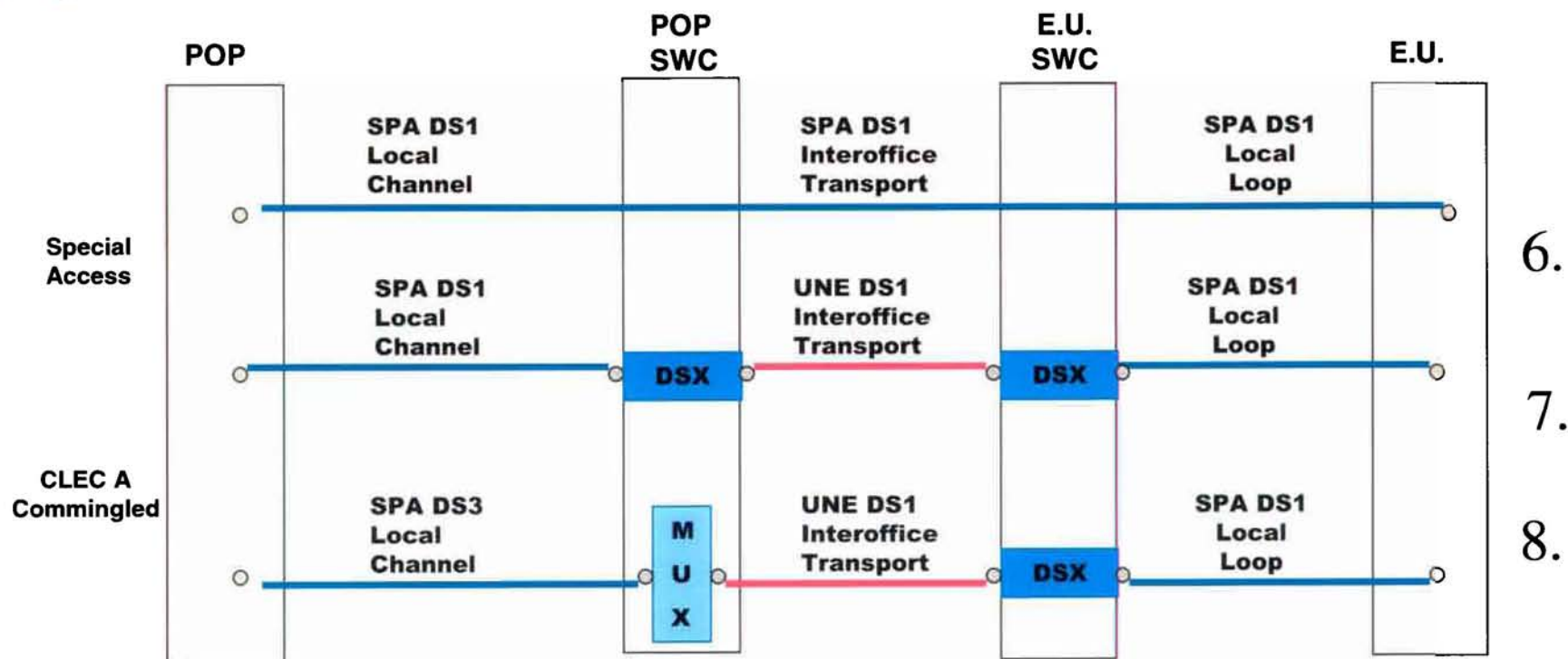
- For example,
 - If a circuit goes down or is not installed pursuant to the terms of the special access tariff, BellSouth will need to identify the discreet portion of special access circuit to provide the customer the appropriate Service Assurance Warranty (SAW) or Service Installation Guarantee (SIG).
 - Likewise, BellSouth must be able to separately monitor and track the performance measures on the UNE piece to comply with the Self Effectuating Enforcement Mechanisms (SEEMS).







Capital Investment



>> Other Implementation Issues

- Efficient implementation of the new service eligibility requirements and commingling provisions requires industry standards from the Ordering and Billing Forum (OBF) and Telcordia
 - These agencies have specific lead time and interval requirements
 - The next meeting dates for Telcordia and OBF are in early February
- Additional time is needed to operationalize commingling and the service eligibility requirements to prevent gaming and arbitrage TRO at ¶ 593

>>>The Commission Should Explicitly Provide For An Orderly Transition

- The FCC should explicitly provide for an orderly transition for conversion of special access circuits to UNEs and the ordering of new EELs.
- That transition should coordinate the conversion of special access circuits to UNEs with the implementation of state UNE loop and transport orders.
- This would avoid inefficient conversion of circuits to UNEs that will have to be converted back to special access after state UNE orders are implemented.
- It would also avoid significant stranded capital costs.
- Finally, it would allow for development of more efficient and standardized processes for converting and billing circuits.
- The FCC's order in CC Docket No. 98-147, CC Docket No. 96-98 allowed carriers 6 months to resolve operational issues associated with implementing line sharing.